GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Consumer Affairs, Food & Civil Supplies Department – Paddy Procurement Operations – Requirement of Bank Guarantee (BG) for participation in Custom Milling Rice Operations – Delay in delivery of Custom Milling Rice – Causing serious impact on the Procurement Policy and Operations - Ensuring Invocation of BGs and curtailing the default Millers – Preventive Measures - Instructions – Orders – Issued.

CONSUMER AFFAIRS, FOOD & CIVIL SUPPLIES(CS-I) DEPARTMENT

G.O.Ms.No.18 **Dated:27.07.2023**

Read the following:

1. G.O.Ms.No.26, CAF & CS (CS-I) Dept., dt.13.10.2022 read with G.O.Ms.No.1, CAF & CS (CS-I) Dept., dt.02.01.2023.
2. From the VC & Managing Director, APSCSCL, Lr. No. Mktg/M2/2022/8/KMS2022-23, dt.16.05.2023 & 01.06.2023 (E-2083495).

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ORDER:

In the reference 2nd read above, the Vice Chairman & Managing Director, Andhra Pradesh State Civil Supplies Corporation Limited, Vijayawada has informed that, the Andhra Pradesh State Civil Supplies Corporation Limited collects the Bank Guarantee (BG), and are kept under the custody of Andhra Pradesh State Civil Supplies Corporation Limited. After duly entering into the agreement with the rice millers, Andhra Pradesh State Civil Supplies Corporation Limited allocates the paddy to the rice millers. The agreement details all the precautionary terms and conditions required to streamline procurement activities, to avoid malpractices by participating millers, and penalties to defaulting millers. Custom Milling of paddy and delivery of Custom Milled Rice to the designated buffer godowns takes place within the stipulated time fixed by the Government of India. To keep the above process intact, Bank Guarantees are collected from the participating Millers as a safety mechanism. In case of failure to deliver the Custom milled rice within the stipulated time, Bank Guarantee is invoked for the worth of defaulted quantity along with penalty.

2. Lately, Millers who have defaulted in delivering custom-milled rice within the stipulated time, have approached the Hon'ble High Court of Andhra Pradesh seeking relief for accepting the defaulted quantity of CMR, along with restoration of Bank Guarantees. Defaulting millers are violating the CMR contracts and misusing the process, thereby adversely affecting the entire procurement policy. In addition, the defaulting millers deliberately resort to such delays/defaults to escape the penalties as described in the procurement policy/agreement. There is an urgent need to restrain such defaulting millers. There should also be a proper mechanism to differentiate the cases with genuine reasons for the delay in the supply of Custom Milled Rice (CMR) to Andhra Pradesh State Civil Supplies Corporation Limited / Food Corporation of India.

3. The Vice Chairman & Managing Director, Andhra Pradesh State Civil Supplies Corporation Limited, Vijayawada has further informed that matter has been examined and on consultation with the Law Department has submitted the legal opinion on the facts detailed below:

i. Govt. of India fixes the schedule for paddy procurement and Custom Milling Rice (CMR) deliveries in every procurement season. Accordingly, Andhra Pradesh State Civil Supplies Corporation Limited plans the Paddy procurement in the State in consonance with Govt. of India directives.

ii. It is observed that certain Rice Millers have become habitual defaulters, constantly failing to deliver the Custom Milled Rice (CMR) in the stipulated timelines thereby deviating from the schedule fixed by Government of India.

iii. Such recurring delays in the delivery of Custom Milling Rice (CMR) disrupts paddy procurement schedule of Andhra Pradesh State Civil Supplies Corporation Limited, apart from causing enormous loss to the public exchequer.

iv. To prevent this recurring violation by the Rice Millers, Andhra Pradesh State Civil Supplies Corporation Limited is constrained to initiate action against the defaulting Rice Millers, by invoking Bank Guarantees and levying penalty.

v. Andhra Pradesh State Civil Supplies Corporation Limited invokes the Bank Guarantees submitted by the Rice Millers as guarantee/security, besides treating them as defaulter, while recommending to the concerned authorities i.e., Joint Collector & Ex Officio-Executive Director (EOED) for taking appropriate action against the errant millers under the Essential Commodities Act.

vi. In addition, based on the gravity of the violations committed by the Rice Miller, blacklisting of the concerned defaulting Rice Miller is resorted to.

vii. Despite taking such preventive measures, some of the defaulted Rice Millers, without complying the solemn obligations stipulated under the agreements, are causing obstacles to the CMR activities by misusing the procedure, even though they have committed breach of contractual terms.

viii. Certain Rice Millers, who are defaulters do not even have the physical stocks of either paddy or Custom Milling Rice (CMR) at their Mills and without the very locus to approach the courts to seek relief, are securing relief by taking shelter under the previous Court orders which were given on genuine grounds. Defaulted millers are taking advantage of such genuine cases and gaining undue advantage at the expense of the Corporation. If the same is allowed to continue, the entire procurement policy and schedule will be in disarray and it

would become a practice for every defaulter to take shelter on similar grounds even though they are defaulted.

ix. Such misuse by the defaulted Rice Millers will encourage them to deliver the recycled Custom Milling Rice (CMR), without any respect for either the time schedule or the quality of Custom Milling Rice (CMR). This would adversely affect the public interest especially the farming community in particular and pushes the Corporation into a tight corner, diminish its financial resources and impedes it from effectively discharging its public functions of paddy procurement.

x. Such repeated misuse of existing procedure by the defaulting rice Millers despite they being at fault, hampers effective Paddy procurement by the Andhra Pradesh State Civil Supplies Corporation Limited.

xi. Hence, it is necessary to put effective preventive measures to prevent the recurrence of such habitual violation of agreed terms and conditions of Custom Milling Rice (CMR) agreements by the errant Rice Millers and they shall be penalized by levying the penalty for the loss they have caused to the public exchequer.

4. The Vice Chairman & Managing Director, Andhra Pradesh State Civil Supplies Corporation Limited, Vijayawada has furnished the details of (163) Rice Millers who have defaulted in Custom Milling Rice (CMR) delivery to an extent of 61,086 MTs, value payable at Rs.166.57 Crores from KMS 2014-15 season till date, and who have obtained interim orders from the Hon'ble High Court. In order to curtail the undesired practice of becoming defaulter in future, the Vice Chairman & Managing Director, Andhra Pradesh State Civil Supplies Corporation Limited, Vijayawada has requested the Government to issue necessary instructions under Clause 12 of Andhra Pradesh Rice Procurement (Levy) Order 1984, to effectively prevent the breach of agreed terms and conditions of the Custom Milling Rice (CMR) contracts by the Rice Millers and disruption of paddy procurement schedule by errant Rice Millers.

5. In the circumstances reported by the Vice Chairman & Managing Director, Andhra Pradesh State Civil Supplies Corporation Limited, Vijayawada, keeping in view of the difficulties in procuring rice for Public Distribution System and other Welfare Schemes and loss sustained by the Andhra Pradesh State Civil Supplies Corporation Limited, Vijayawada, in recovery of Custom Milling Rice (CMR) dues from the defaulted Rice Millers /Dealers, Government after careful examination of the matter, hereby issue the following order.

a) Upon verifying the facts and ascertaining that the Mill falls under the defaulted category in delivering the Custom Milling Rice (CMR) during the concerned season, Joint Collector & Ex-Officio Executive Director (JC&EOED), Andhra Pradesh State Civil Supplies Corporation Limited shall immediately invoke the Bank Guarantee submitted by the defaulting Miller and levy of penalty to recover the due amount and the loss caused to the Andhra Pradesh State Civil Supplies Corporation Limited /Government.

b) Penalty that is to be imposed on the defaulting dealer/Miller shall be 0.5 times of the worth of Custom Milling Rice (CMR) quantity due against the said default Miller and such penalty shall always be paid by the defaulter in the form of a money deposit or by way of a demand draft taken in favour of Andhra Pradesh State Civil Supplies Corporation Limited in addition to the actual CMR defaulted quantity.

c) Any miller aggrieved by the orders of the Joint Collector & Ex-Officio Executive Director, Andhra Pradesh State Civil Supplies Corporation Limited against non delivery of Custom Milling Rice (CMR) deliveries, or delay in delivery of Custom Milling Rice (CMR) by the defaulting Millers, consequent to Bank Guarantee (BG) invocation and levy of penalty towards the loss caused, may prefer an appeal to the District Collector, within thirty (30) days from the date of receipt of orders of the Joint Collector & Ex-Officio Executive Director, Andhra Pradesh State Civil Supplies Corporation Limited.

d) The Appeal shall be admitted for hearing before the District Collector, only when it is accompanied with the mandatory certificate of confirmation issued by the Joint Collector of the concerned District regarding the physical availability of paddy/rice quantities that are due against any defaulting Miller.

6. The Commissioner of Civil Supplies, Vijayawada; the Vice Chairman & Managing Director, Andhra Pradesh State Civil Supplies Corporation Limited, Vijayawada; the District Collectors and Joint Collectors & Ex-Officio Executive Directors, Andhra Pradesh State Civil Supplies Corporation Limited shall take further action accordingly.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

H. ARUN KUMAR
EX-OFFICIO SECRETARY TO GOVERNMENT

To,
The Commissioner of Civil Supplies, AP., Vijayawada.
The Vice Chairman & Managing Director,
A.P.State Civil Supplies Corporation Limited, Vijayawada.
All the District Collectors in the State.
All the Joint Collectors & Ex-Officio Executive Directors in the State.
Copy to:
The P.S to Hon'ble Minister, (CA,F & CS).
The Secretary to the Hon'ble Chief Minister.
The Commissioner of Printing and Stationery, A.P, Vijayawada with a request to publish the G.O. in AP Gazette.
The Law (A) Department, A.P. Secretariat, Velagapudi.
SC/SF

//FORWARDED :: BY ORDER//

E. Hanok Babu
SECTION OFFICER